

Why the Ocean Shipping Reform Act is Shortsighted



The supply chain is congested not because of any inherent flaws, but because of unprecedented demand during an unparalleled pandemic

- Every part of the supply chain – from ship to port to train to warehouse to delivery truck – is overloaded. Add in periodic shutdowns due to virus outbreaks and persistent labor shortages, and U.S. landside capacity cannot keep up with the volume of import cargo.
- Knowing that doesn't make it any less frustrating for businesses and consumers who are dealing with shortages or delays. But it is important to understand the root of the problem so that we can find a proper solution.



The House-passed Ocean Shipping Reform Act of 2021 (H.R. 4996) is not the answer

- Far from relieving congestion, empowering the Federal Maritime Commission to interfere with private service contracts between shippers and their customers would throw international shipping into chaos with detrimental consequences up and down the entire supply chain.
- H.R. 4996 would make the Federal Maritime Commission the arbiter of which contracts are "reasonable."
 - It mandates that ocean carriers guarantee the availability of all equipment and facilities necessary for transportation — even though the ocean carriers do not own or control those assets.
 - It requires contract performance "with reasonable dispatch," even when the circumstances that keep ships waiting to enter port are beyond the control of ocean carriers.
 - It demands ocean carriers to simultaneously move importers and exports to the front of the service line.
- To put it simply: This bill would penalize carriers for not doing the impossible.



When a government regulator puts its thumb on the scale, it is American customers and businesses that pay the price

- Here's the reality that many politicians are missing when they shortsightedly dictate new regulations in the name of political expediency or out of frustration with the current supply chain challenges: Global trade is one interconnected network employing the same ships and containers in continuous service loops.
- You can't favor one set of stakeholders without upsetting the balance of the entire system: delays would increase, service would be reduced, and the already-present bottlenecks would grow worse.



The Ocean Shipping Reform Act's original co-sponsors have made it clear that their bill would not address the current situation

- And recently the National Industrial Transportation League, one of the principal proponents of the bill, reinforced the point, stating in an opinion piece in the Journal of Commerce that the House bill "was not designed to solve port bottlenecks."

- Rather than pass a political wish list that would turn back the clock 40 years, Congress should take a comprehensive, forward-looking view of the supply chain
- Instead of knocking down a system that is already running at max capacity, let's find ways to make each part of the supply chain more efficient and resilient with better data sharing and optimization.
- Working together – ships and stores, trains and trucks, public and private sectors – we can manage the current influx and set the system up for long-term success.